Employment Generation in Developing Countries: A Synthesis of Findings from Selected USAID Projects

Jeff Bland
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Research & Reference Services
United States Agency for International Development
Center for Development Information and Evaluation
Room 203, SA-18
Washington, D.C. 20523-1820

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EXECUTIVE SUMMARY

Unemployment and underemployment remain persistent concerns for nations worldwide. In contrast to the economies of most developed nations, where for the most part acute unemployment has been a cyclical phenomenon resulting from economic restructuring, developing economies have suffered through decades of chronic unemployment or job growth in only low-productivity, low-wage sectors of the workforce. In addition to making sustainable economic growth more problematic, lack of gainful employment in the developing world breeds social unrest, fosters disease and malnutrition, and forces people to deplete often-scarce environmental resources in order to survive. Clearly, creation of sustainable, higher-productivity employment for the masses must be a central concern for development efforts worldwide.

In response to these challenges, USAID has undertaken employment generation projects in five areas: small- and medium scale enterprise (SME) development; labor-intensive infrastructure; export promotion; food-for-work; and vocational training and education. This study builds upon a 1985 Center for Development Information and Evaluation (CDIE) study by Donald Bowles, entitled *A.I.D.=s Experience With Selected Employment Generation Projects*, which examined the effectiveness of--and constraints to--approximately 50 such employment generation projects. This study aims to examine the efficacy of recent USAID employment generation projects; to determine to what extent USAID has recognized and dealt with the constraints identified by the CDIE report; and to identify the most significant problems and issues that arose from the examined projects.

In order to accomplish this, the study examines nine employment generation projects undertaken by USAID since 1985 in three areas: SME development, labor-intensive infrastructure, and export promotion. It attempts to determine each project=s employment generation effectiveness by comparing project goals to project outcomes in terms of jobs created. To determine the degree to which project design considered specific policy constraints, project papers and evaluations were reviewed for policy analysis content.

In terms of employment generation effectiveness, three of nine projects met or exceeded their goals, three achieved approximately three-quarters of their targets, one achieved half its target, and data was unavailable for the other two projects. Thus, employment generation effectiveness was good or adequate for most of the reviewed projects, although the absence of employment generation data for two projects is disturbing.

Consideration of policy and economic environment constraints was less than universal. Barely half the projects (five of nine) adequately considered actual or potential constraints to project performance. In light of the CDIE study=s finding that rational economic policies on the part of host governments are crucial to the success of employment generation projects, a greater effort to recognize the importance of

economic policy should be made.

Probably the most significant issue identified by the paper is a lack of monitoring and measurement on the part of the projects reviewed. One of the paper=s conclusions is that systems to monitor and measure job creation should be in place at a project=s inception; otherwise, tracking progress becomes difficult, if not impossible.

I. INTRODUCTION

Creating remunerative employment lies at the heart of international development. USAID's strategic objectives of encouraging broad-based economic growth, stabilizing world population growth and protecting human health, building democracy, and protecting the environment are all dependent to some degree upon the creation of sustainable economic systems that offer people the opportunity to provide for themselves. Conversely, high levels of unemployment and underemployment stunt nations' ability to achieve higher levels of sustainable and productive economic growth, deny people the means to feed, educate, and care for themselves, and promote the social unrest that often impedes or reverses democratic reform.

The World Bank's 1995 World Development Report, entitled *Workers In An Integrating World*, addresses many issues that impact global employment, focusing in particular on policy issues. At a time when the problems of unemployment and underemployment in the developing world--and government policies that impact their levels--are rising to the forefront of the World Bank's agenda, CDIE thought it useful to examine USAID's efforts in this area.

The purpose of this paper is threefold. First, the paper briefly describes the current state of labor in the developing world and discusses the concepts of employment and productivity. Second, the paper synthesizes USAID's past experience with employment generation projects, based on a comprehensive CDIE study conducted by Donald Bowles and completed in 1985. Third, based on the lessons learned and recommendations from the 1985 CDIE study, the paper examines selected USAID employment generation projects initiated after 1985 to gauge their success in creating jobs; to determine to what extent USAID adopted CDIE's prescriptions regarding policy variables; and to identify any other issues or problems that arose from the projects examined.

The heart of this paper, analysis of post-1985 USAID projects, will use available USAID project documentation, mainly Project Papers and the various kinds of evaluations. The projects reviewed in this paper were chosen through a search of USAID's Development Information System (DIS) database, and include those that have "employment generation" as a project goal or purpose; that were initiated after the CDIE study; and that have enough associated documentation available from which to draw useful insights. Surprisingly, fewer than 20 projects met all three criteria.

II. CURRENT LABOR CONDITIONS: TRENDS AND ISSUES

Global Labor: Current Conditions

Labor forces in developing countries have expanded rapidly in the latter half of this century, coinciding with high population growth rates. The global population more than doubled from 1950 to 1990 and will reach the six billion mark by the end of the century (Farooq 1992:5). This growth, along with the increasing entry of women into the work force, has made full employment an increasingly difficult proposition.

Although figures on unemployment in developing countries are often incomplete, especially for African nations, some researchers argue that a pattern of increasing unemployment since the early 1980s can be discerned (Farooq 1992:10). Figures 1, 2, and 3 offer limited portraits of unemployment in Africa, Latin America, and Asia. The developing countries represented in these graphs are very nearly the only ones for which comprehensive post-1980 unemployment data are available.

These graphs do not show that unemployment is rising. For the countries represented in them, unemployment increased only slightly in Africa, and considering population growth rates, the *rate* of unemployment may have actually declined. Although unemployment increased significantly in Asia, India represents the bulk of this. Unemployment in Latin America has fluctuated in recent years, with unemployment levels in 1990 lower than they were five years before.

What these graphs *do* indicate, however, is that unemployment data for developing countries is extremely limited. As a result, we cannot determine with absolute certainty whether overall unemployment is actually rising or falling. The 1995 *World Development Report* documents the difficulty in measuring unemployment. As it notes, the incidence of unemployment varies greatly according to its definition, which nations often interpret differently (World Bank 1995:3.8). Regardless of difficulties with measurement, however, maintaining adequate employment remains a serious concern for governments--and workers--worldwide.

Defining Employment

The fact that unemployment data is rather incomplete stems in part from difficulty in defining the concept of "employment." While the term "employment" seems intuitively easy to define (for instance, "working for others for pay@), employment comes in many different shapes and sizes and does not always take the conventional forms we are accustomed to in the developed world. Figure 4 graphically illustrates how complicated the concept of employment can be.

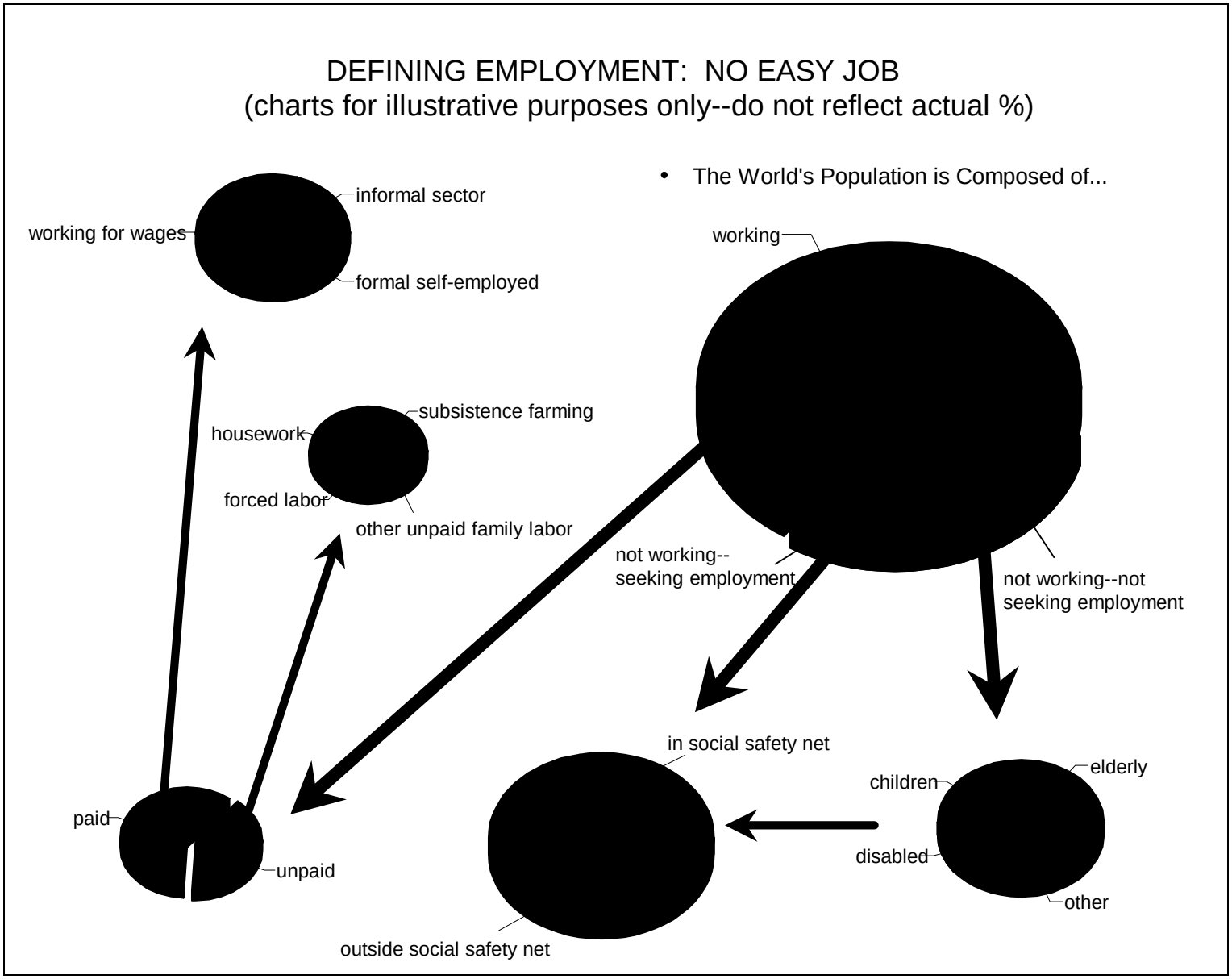


Figure 4

If the underemployed, those employed in the informal sector, and those working for no pay are considered, then most people are engaged in "work." A mother in Ghana devoting her time to raising children may not show up in official employment statistics, but she nonetheless is engaged in a productive activity, nurturing a future (and hopefully productive) member of society to adulthood. Apart from those of nonworking age and the disabled, who must rely on either the state, family, or charity for their livelihoods, simply staying alive requires work.

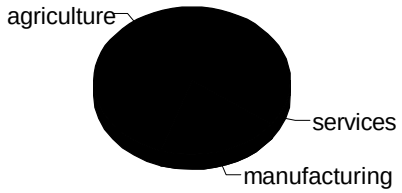
Productivity's Role in Economic Growth

Keeping in mind that there are many kinds of work--paid and unpaid, formal sector and informal sector, "legitimate" and black-market--the task facing policymakers is to harness their labor for more *productive* kinds of work. For example, the mother in Ghana referred to in the example above, if given the opportunity, might take a job that allows her to pay someone else to take care of her children and have surplus money to buy other goods and services.

Increasing productivity is important because it is critical to achieving long-term economic growth and rising wages for workers. This efficiency is not without cost--as sectors of economies become more efficient, workers will be displaced in the short run, for by definition this increased efficiency means that less labor input is required to produce the same output. At the same time, however, increased productivity frees up labor and financial capital to invest in other, higher-value sectors, leading to increased wages and higher-skilled jobs. This is a pattern that has been repeated in the United States and other now-developed countries, which moved from initially agrarian economies to manufacturing-based economies and now to services and information-based economies. Figure 5 illustrates the process of increasing productivity and its contribution to economic growth.

PRODUCTIVITY AND EMPLOYMENT:
NO PAIN, NO GAIN

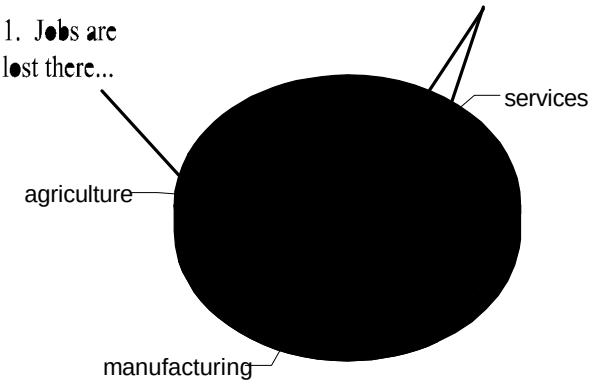
- Initially, most labor is engaged in agriculture...



- As that sector becomes more productive:

2. **But,** more are created elsewhere...

1. Jobs are lost there...



3. **And,** total production increases.

Figure **5**

Reducing Global Unemployment: Benefits to the United States

Besides the moral good of alleviating misery and suffering for millions, reducing unemployment and underemployment in the developing world benefits the United States. First, unemployment can lead to social distress or breakdown, requiring economic intervention and/or fostering military tensions. Conversely, expanding employment fosters social order, making U.S. foreign policy less problematic.

Second, as nations engage their citizens in more productive labor and create additional wealth, they expand the market for U.S. exports. An unemployed person earns no income. Provide that person with a job, however, and he or she might have the extra money to purchase American-made consumer products. Give that person the opportunity to advance to a more productive and better paying job, and he or she can buy more of those products. Provide sustainable and increasingly productive employment for millions, and they will eventually be able to purchase not only toothpaste and deodorant, but also American-made computers, cars, and other high-value products and services.

III. USAID EMPLOYMENT GENERATION STRATEGIES, PRE-1985

CDIE's *A.I.D.'s Experience With Selected Employment Generation Projects* provides a comprehensive survey of USAID employment generation strategies before 1985. In this paper the author reviews the impacts of the five types of employment generation projects used by USAID, namely Small-Scale Enterprise Credit and Technical Assistance, Labor-Intensive Infrastructure, Export Promotion, Food-For-Work, and Vocational Education and Training.

This piece analyzed over 30 projects that were implemented from 1970-1982 in the five areas. As one might anticipate, CDIE found the projects to be of mixed success.

> *To sum up, this review of employment generation projects uncovered no scandals, no wildly irrelevant projects. Some resources were indeed wasted in the economic sense, and an outside observer must assume that there were compelling noneconomic reasons for the projects... Labor-intensive infrastructure and food-for-work projects both seem promising on paper, yet encountered multiple problems and typically affected relatively small numbers of workers... Export promotion is in its infancy within A.I.D., and projects in this area are closely tied to exchange rates... Small-scale enterprise credit and technical assistance projects provided some employment, but sometimes at great cost per job... The impression one derives from the small sample of projects reviewed in this study is that considerable work and resources went into efforts to directly increase employment. Yet, in general, the results were middling or disappointing. Women were generally given no special consideration, or it was given as an afterthought. Equity was sometimes not well*

served. Management was always difficult, and projects were hostage to an economic and administrative environment beyond the control of project managers (Bowles 1988:89-90).

CDIE found the policy contexts and economic environments within which projects took place to be the most important factors for project success or failure. Although the study acknowledges that poor policy environments did not always doom projects, it argues that economic policies conducive to growth help projects to achieve better results. Using the aggregate production function approach, which views economic growth as a function of capital, labor, and technology, the study draws several conclusions about economic policy's role in USAID's employment generation strategies:

- **$** More attention should be given to the appropriateness of specific projects as opposed to whether they actually increase employment. Although almost any project, given sufficient effort and funding, can generate some employment, it may not always represent the most efficient use of scarce funds for a particular country or region.

- **$** Economic policy is a major factor affecting employment generation projects. Whether in the formal or informal sector, favorable policy environments lead to growth in labor demand, thereby supplying a larger market for projects' generated employment.

- **$** Varying policy contexts across nations explain why some successful employment generation projects cannot be replicated elsewhere.

- **$** Although welfare programs, such as food and emergency medical assistance, can help alleviate lack of economic equity within a country, a more enduring and widespread measure to promote equity is to increase employment. In the long run, policies that encourage substitution of capital for labor worsen employment and therefore equity (Bowles 1988:21).

Concentrating on the three areas--export promotion, small enterprise development, and labor-intensive infrastructure--reviewed in the next section, CDIE=s findings about the impacts of these projects and the policy factors that influenced their relative success are summarized below.

Small-Scale Enterprise Credit and Technical Assistance

The paper reviews ten projects dealing with small and medium-scale enterprise (SME) development, four in Latin America and six in Africa. Eight of the projects offered both credit and technical assistance, but those in Latin America tended to emphasize credit while those in Africa were more evenly split between the two components.

In contrast to export development projects, evaluations of SME development projects

generally provided data on the number of jobs created; data was unavailable for only three of the ten projects. Employment creation ranged from over 15,000 jobs (Small-Scale Regional Development Project/Chile) to fewer than 50 (Rural Enterprise Development Project/Upper Volta). More importantly, the cost to create each job ranged from under $15 for the Regional Development project in Chile to over $120,000 for the Entente Fund African Enterprises Project's Togo component. These variances drive home the study=s point that a cost/benefit framework for job creation is more useful than absolute numbers of jobs created.

CDIE determined that the single most important condition for successful small enterprise development is adequate consumer demand, marked by the ability and desire for consumers to purchase products and services sold by the enterprises (Bowles 1988:76). In other words, enterprises are bound to fail if a market for their products is nonexistent. In addition, adequate infrastructure must be in place to ensure links between raw materials and final consumers.

Other policy constraints that can inhibit the success of these projects include interest rates set artificially below the market clearing-price for capital, thereby leading to lack of available credit to fund new enterprise development. High rates of inflation can also sabotage returns to investment on credit by eroding the value of loan repayments. These low (or negative) returns discourage creditors from making future loans.

Labor-Intensive Infrastructure

The CDIE study reviewed five infrastructure projects, three in Latin America, one in Africa, and one in Asia. Infrastructure projects not only provide immediate short-term work for construction workers and such, but, if successful, can contribute to long-term employment by promoting greater economic growth overall and by expanding economic growth in new regions.

Presumably because they were unavailable, the CDIE study provided neither short-term nor long-term employment creation figures for infrastructure projects. For short-term employment, it relies on estimates of "cost per worker-day" to determine the relative cost effectiveness of the various projects, finding three of the five projects to have acceptable costs per job created.

Long-term employment generation requires that the infrastructure be completed, that it be sited effectively to stimulate economic growth (and therefore more jobs), and that the infrastructure be adequately maintained. Bowles found that only one of the five projects met these conditions and thus contributed to long-term employment generation.

Export Promotion

As the CDIE study cautioned, USAID's experience with export promotion projects was

limited at the time the paper was written. Lack of documentation further limited efforts in this area; consequently, CDIE was able to review only four USAID projects designed to increase exports and generate employment. All four projects generated some employment, but only one attempted to quantify the results. This project, the Honduras Agro-Industrial Export Development project, resulted in employment for 300 persons and benefited some 1,700 families from increases in agricultural demand.

Bowles asserts that the primary policy constraints for export promotion projects are those that raise costs and reduce quality for exported goods. Conversely, preconditions that foster successful export promotion projects include pricing policies that reflect world commodity prices and scarcities of domestic factors of production, including interest and exchange rates; adequate infrastructure, including communications networks vital for up-to-date information on international markets; and adequate backing from the host government, in the form of trade shows, feasibility studies, and clearinghouses for market information.

To sum up, *A.I.D.'s Experience with Selected Employment Generation Projects* makes several major observations and prescriptions:

- **$** The best way to create employment is to create an expanding free-market economy.

- **$** Creating an expanding economy depends upon rational and effective government economic policies.

- **$** Thus, USAID can make the greatest impact by helping developing countries to implement appropriate economic policies.

- **$** Direct intervention in labor markets, such as the USAID projects reviewed, may sometimes be politically and/or ethically necessary (to alleviate the misery caused by unemployment), even though following certain policy guidelines might be a better path to long-term employment creation.

IV. USAID EMPLOYMENT GENERATION STRATEGIES, POST-1985

In the interest of brevity, this paper will examine only three of the five types of employment generation projects--export promotion, small-scale enterprise development, and labor-intensive infrastructure. Researchers found that vocational training projects were often merely part of larger export promotion or microenterprise development projects and that food-for-work projects were often very similar to infrastructure development projects. A summary of findings for the nine reviewed projects appears in Figure 6.

SELECTED USAID EMPLOYMENT GENERATION PROJECTS

Source: Various USAID Project Papers and Project Evaluations.

Project Name/ Country/LOP Cost (millions $)	Years	Jobs Created (Projected)	Jobs Created (Actual)	% Actual/ Created	Cost Estir per Job Cre
Rural Private Enterprise/ Kenya/$48.0	1983-'89	2,000/yr	~1,000/yr	50%	No
Microenterprise Development/ Jamaica/$4.0	1990-'98	10,000	1,800 (as of 1992)	70% (estimate)	No
Small Business Development/ Honduras/$0.8	1984-'88	2,000	1,000 (as of 1986)	100% (estimate)	Yes
Inner Kingston Development/ Jamaica/$25.0	1986-'94	800	1,200	150%	No
Maharashtra Minor Irrigation/ India/$38.6	1984-'91	1.3 mil person-days/yr (1) 52 mil person-days/yr (2)	N/A (3)	N/A (3)	No
Nairobi Housing & Community Facilities/ Kenya/$17.0	1979-'82	7,000	N/A (3)	N/A (3)	No
Agribusiness Development/ Guatemala/$13.5	1985-'90	850	317 (as of 1987)	75% (estimate)	No
Investment Promo & Export Dev/ Caribbean Regional/$17.7	1984-'92	15,000	3,900 (as of 1986)	100% (estimate)	Yes
Export and Investment Promo/ Belize/$4.9	1986-'93	2,500	1,600	65%	No

(1) Long-Term
(2) Short-Term
(3) N/A=Figures Not Available from Project Documentation

For each project, two major factors are examined. First, to what extent did the project achieve its employment generation goals? Second, to what extent did project designers and managers anticipate and deal with policy constraints and economic environment constraints, specifically those discussed in the 1985 CDIE report?

Small-Scale Enterprise Credit and Technical Assistance

The Rural Enterprise Project was established in 1983 under an Agreement between USAID and the Government of Kenya. USAID provided an initial $24 million in loans for on-lending to rural entrepreneurs outside Nairobi and Mombasa. The project aimed to encourage longer term lending in Kenya's financial sector; to expand the number of off-farm enterprises with access to credit; and to provide management and technical support to these enterprises.

Additionally, RPE helped the Central Bank of Kenya design and implement a computerized tracking system for loans, trained commercial banks on tracking their loans, and promoted awareness of the program through printed materials and "business clinics."

Rural Private Enterprise, Kenya (1983-'89/LOP Cost: $48.0 million)

One of the primary objectives of RPE was to increase rural employment and income as a result of longer-term lending and technical support. The project's logical framework sets a goal of 1,600-2,000 jobs created each year (Deloitte and Touche 1991:46).

An annex devoted to the RPE's impact on women contains the Final Report's sole mention of employment generated by the project. It indicates that, by the end of March 1991, about 5,500 jobs had been created, or an average of under 1,000 per year (Deloitte and Touche 1991:75). Thus, the project fell significantly short of its employment generation goals.

The final report identifies a number of policy constraints that may have adversely affected the project's employment generation potential:

- **$** The final report notes that fixed interest rates and credit ceilings hampered project performance from the start. Initially, lending was fixed at two percent under the market rate, giving the banks a profit spread of five percent, which was "not attractive enough to justify the additional administration time and the perceived risk involved" (Deloitte and Touche 1991:15).

- **$** Although average annual GDP growth from independence until 1980 was an impressive seven percent in real terms, the Kenyan economy experienced much slower growth beginning in 1984. In that year, a severe drought helped reduce real GDP growth to 0.9 percent (Europa Publications 1994:458).

- **$** Successful small enterprise development, as the CDIE study states, requires sufficient economic growth to provide markets for the goods to be sold by these new businesses. The study also maintains that it requires the absence of high inflation, which has the ultimate effect of reducing bank profits from loans and thus retards credit availability. Unfortunately, neither condition was uniformly present during RPE's lifespan.

The Microenterprise Development Project (MDP), initiated in August 1990, was designed to bolster incomes by encouraging microenterprise growth and sustainability in Jamaica. This would be achieved by increasing the ability of microenterprise credit providers to operate on a self-sustaining basis; by testing methods of delivering non-credit assistance to microenterprises; and by supporting policy reform through analysis and policy dialogue.

The project expanded the microenterprise lending programs of the Enterprise Development Trust (EDT) and the Agency for the Selection and Support of Individuals Starting Trade (ASSIST), which made approximately 1,000 loans by March 1993. The project's non-credit assistance component never materialized. To meet the policy reform mandate, USAID negotiated a Memorandum of Understanding with the Government of Jamaica.

Microenterprise Development, Jamaica (1990-'98/LOP Cost: $4.0 million)

The project's Grant Agreement estimated that 10,000 microenterprise employees "will benefit from increased incomes through new job opportunities or fuller employment" (USAID 1990:10).

As of the Mid-Term Evaluation, EDT and ASSIST claimed to have created 1,800 new jobs--1,150 resulting from EDT loans and 650 from ASSIST loans (Gupta 1993:xii). The evaluators cautioned, however, that the methods used to arrive at this figure were weak. If the data are taken as reliable, it would seem that the project has a good chance of meeting its employment goal by the end of the project in September 1997.

MDE's Mid-Term Evaluation explicitly states that the project benefited from a favorable policy environment in Jamaica. In September 1990, following a period of protracted economic decline, the Government of Jamaica initiated a comprehensive economic reform package that addressed previous constraints to growth (and SME development).

Favorable policy elements and economic factors affecting the project's success included:

- **$** Banks abandoned subsidized credit in favor of market rates, making small enterprise lending more attractive to creditors and increasing the pool of money available for SME investment (Gupta 1993:xi & 3).

- **$** Even before implementation of the reform package, real GDP growth in Jamaica had increased somewhat during the 1980s. Annual GDP growth averaged 1.6 percent over that decade, versus a 0.5 percent annual decline in the 1970s (Europa Publications 1994:407-408).

The Small Business Development Project, implemented in June of 1984, was intended to create jobs by expanding financial and technical assistance to Hondura's small-scale enterprise sector. This was to be accomplished by establishing a private, development-oriented finance company, Financiera Industrial y Agropecuario (FIA), for credit and a Business Assistance System (BAS) to provide technical services to small enterprises.

By 1987, FIA had provided credit to 35 enterprises. Under the BAS component, implementors held training courses suited to enterprises' needs and made grants to management assistance organizations.

Small Business Development, Honduras (1984-'88/LOP Cost: $.8 million)

One of the goals of the project was to create approximately 2,000 jobs over an eight year period (USAID 1984b:38).

At the time of an evaluation conducted in November 1986, FIA's efforts had generated 140 new jobs, although this figure was estimated by studying only ten of the firms FIA had served. The Evaluation indicated that BAS efforts had generated 891 jobs; however, the evaluators pointed out that this figure may be suspect. The data, if taken as accurate, indicates that the project had met half of its ultimate employment generation goal in less than two years. As such, it seems that the project's goal of 2,000 jobs over eight years would be exceeded easily.

The Project Paper for the Small Business Development project specifically addresses two factors that made the project economically viable at the time:

- **$** The Central Bank of Honduras imposed interest rate limits, which made lending to most SMEs an unprofitable venture for commercial banks (USAID

1984b:3). Along with other regulatory constraints, this rate ceiling had severely constrained SMEs access to credit. The Small Business Development project aimed to circumvent these constraints by giving FIA the freedom to set interest rates above the maximum allowed. As such, FIA would represent "a good size free market credit operation in a regulated banking system" (USAID 1984b:21).

$ The Project Paper predicted that consumer demand for the enterprises' products would be strong as a result of economic conditions in Honduras. As it states, "the shortage of foreign exchange and resulting sharp decrease in the importation of consumer goods has opened up excellent opportunities for increased domestic production of everything from clothing to processed food and household goods" (USAID 1984b:34). It asserts that the enterprises benefiting from FIA would be producing the types of goods that previously had been imported.

Labor-Intensive Infrastructure

The Inner Kingston Development Project was launched in July 1986 to increase employment and investment opportunities in Jamaica by providing additional production space, suitable for light manufacturing and commercial activity, in Inner Kingston and by restoring Inner Kingston as a center for economic activity and job creation.

Two institutions, the Kingston Restoration Company (KRC) and the Urban Development Corporation (UDC), were responsible for implementing the infrastructure improvements, which included rehabilitation of existing buildings; strategic development planning for the downtown area; and provision or improvement of various supporting infrastructures, such as sewer lines, water mains, traffic lights, and roads.

Inner Kingston Development, Jamaica (1986-'94/LOP Cost: $25.0 million)

The Project Paper's summary anticipated that this project would provide 2,500 permanent employment opportunities and 1,800 person-years of short-term construction work (USAID 1986b:2). However, the project's outputs specify that only one-third of these 2,500 "employment opportunities" would be composed of new jobs (USAID 1986b:17). One can therefore surmise that the project intended to generate about 800 new jobs.

An Interim Evaluation indicates that, as of September 1991, approximately 1,200 new jobs had been created directly as a result of the project. Since the evaluators used the

Project Paper's target of 2,500 permanent jobs, without accounting for the fact that the Paper explicitly stated that only 1/3 of these would be "new," they concluded that the project was falling behind in meeting this goal. Using the figure of 800 instead would yield an entirely different conclusion. Nonetheless, evaluators pointed out that, when measured by number of jobs created per dollar spent, "employment creation is running ahead of the rate forecast in the Project Paper" (Kingsley 1991:25).

This project did an excellent job of accounting for external and policy constraints, both in the planning phase and during implementation. The Project Paper contains a comprehensive economic analysis in which planners noted the following:

- **$** An analysis of the employment situation in Inner Kingston revealed that the area suffered from the highest unemployment rates in the country. Furthermore, the labor force in the area was already predominantly employed in production and unskilled occupations (USAID 1986b:39).

- **$** Project planners ensured that, as factory space became available, there would be sufficient demand for the new space. This was done by conducting a survey of businesses in the area, projecting that economic returns on the project would be sufficient to warrant its existence (USAID 1986b:48-50).

- **$** Project designers noted that Jamaica's economy was moving in a direction complementary to the project's goals and *modus operandi*. The Project Paper observes that Jamaica's economy had recently improved, that the Jamaican dollar had begun to stabilize, and that aggregate manufacturing growth was projected to rise in 1986 for the first time in years (USAID 1986b:3). Thus, at the time of its inception, the project seemed well-positioned to take advantage of macroeconomic trends in the country.

The Maharashtra Minor Irrigation Project (MMIP), initiated in July 1985, was designed to increase irrigation efficiency and net returns from investments with employment increases in ninety minor irrigation projects in the state of Maharashtra, India.

MMIP provided for the construction of 90 new irrigation projects, the rehabilitation of 12 existing projects, the establishment of 52 hydro-meteorological stations, training of staff, technical assistance with computerization and water management systems, and an increase of farmer involvement in irrigation planning.

Maharashtra Minor Irrigation, India (1984-'91/LOP Cost: $38.6 million)

The project's evaluation did an impressive job of addressing the project's technical advances, which indeed yielded the "increased irrigation efficiency" specified as a project purpose. However, it failed to address the employment gains also listed as a project purpose.

The evaluation states that "there was of course a large quantity of labor employed during the construction phase," yet it fails to give data on exactly how much labor was employed (Winrock International 1991:115). Also, while the evaluators declare that "the growth in total cropped acreage as a result of the projects must necessarily have reduced both unemployment and underemployment," they elaborate no further on this rather broad statement (Winrock International 1991:115).

Most of the essential elements needed for successful infrastructure projects were present at the beginning of the project:

- **$** An ample supply of surplus labor was available for the project to draw upon. The Project Paper observed in Maharashtra the existence of "a vast pool of surplus labor perched precariously upon an agriculture characterized by low yields and slow growth" (USAID 1984a:v8).

- **$** Project planners calculated the projected costs and benefits of the project, concluding that the new irrigation schemes would yield long-term benefits for Maharashtra. They found agricultural production capacity in unirrigated portions of the state, especially for high value crops such as mangoes, bananas, and cashews, to be extremely underutilized. In some regions, vegetables had to be imported from Bombay, even though exactly the opposite should have been happening.

- **$** The Project Paper notes that increased production of high value crops in the area would enjoy a ready market for their sale; furthermore, India's burgeoning population ensured an expanding market for foodgrain production (USAID 1984a:v21).

The Umoja II Project was initially authorized in 1979 to provide additional shelter space for the rapidly growing population of Nairobi, which had been doubling every ten years (USAID 1979:24).

As a follow-on to Umoja I, authorized and subsequently financed by USAID in 1974, the Umoja II Project envisioned the construction of some 4,000 dwelling units ranging from two-bedroom rental apartments to row houses. Supporting infrastructures--such as primary and second schools, a police station, and a community center--were also to be financed by the project. The Nairobi City Council (NCC) was to implement the project with total financing of $18.5 million

from USAID.

Nairobi Housing and Community Facilities, Kenya (1979-'82/LOP Cost: $17.0 million)

Along with providing shelter for the citizens of Nairobi, another goal of Umoja II was to provide income and employment generation opportunities, not only short-term construction jobs, but also longer-term employment resulting from new businesses and community facilities. Project planners envisioned that Umoja II would lead to the creation of a total of 7,000 jobs, 5,000 from actual construction and 1,000 each from new businesses and community facilities.

Although the evaluation acknowledges that employment generation was one of the goals of the project, it fails to discuss whether this objective was met. In fact, most of the evaluation focuses on technical design of the housing units and a discussion of occupant satisfaction with the new apartments. Accordingly, this paper can offer no conclusions regarding the project's attainment of its employment generation goal.

Likewise, the evaluation fails to discuss constraints to the project's success. It offers this somewhat baffling explanation for not doing so:

> *The orientation of the evaluation is geared towards implications for future policies and programs, rather than towards past performance of the project in reaching stated goals and outputs. The constraints experienced in implementation of the project were manyfold and an evaluation could easily become an unhelpful litany of problems (Hoek-Smit 1989:3).*

A fundamental purpose of evaluations is to identify whether a project achieved its objectives and, if not, why? Contrary to the evaluators beliefs, identification of a "litany of problems" would in fact speak volumes about a project's performance (if there are that many problems, should they not be discussed?). What really *is* unhelpful is an evaluation chock-full of apartment floor plans and examples of renter satisfaction surveys, with little discussion of project purposes or progress toward those purposes. Fortunately, not all evaluations are as "helpful" as this one.

Export Promotion

USAID authorized the Agribusiness Development Project in late 1984. The goal of the project was to "increase rural family incomes through improved production, storage, processing, marketing, and employment opportunities for high value crops," especially for nontraditional exports. To accomplish these goals, the project focused on improving agribusiness development, financial management, cooperatives, marketing information systems, and investment promotion.

Agribusiness Development, Guatemala (1985-'90/LOP Cost: $13.5 million)

The Project Paper specified that the project would produce 850 jobs, resulting from the creation and/or expansion of agribusiness enterprises, under the Bank of Guatemala (BOG) component (Arthur Young 1987:9).

The Mid-Term Evaluation indicates that, as of December 1987, 317 jobs, mainly in manufacturing, had been created. Factoring in indirect employment generation, the figure rises to over 3,000, although the methodology for calculating indirect employment was never given (Arthur Young 1987:9). Since no other later evaluations were conducted, however, final employment generation figures were unavailable.

The Mid-Term Evaluation of this project considered a number of the policy variables mentioned by the CDIE study as being essential to export promotion:

- **$** The project's lending component, consisting of USAID loans to the Bank of Guatemala, suffered from a failure by project designers to appraise the performance of financial markets. While the Project Paper notes that the National Agricultural Development Bank=s (BANDESA) interest rates were subsidized to allow lower rates than the market would dictate, it contends that these distortions would have to be accepted because BANDESA was "the only real alternative financial intermediary" to provide credit to the cooperatives (USAID 1985:72-73). Unfortunately, BANDESA's advantage as a source for credit, which was tight at the time of the project's design, had all but evaporated by the time of the Mid-Term Evaluation. The evaluation noted that credit availability had improved somewhat by that time, thus making BANDESA's subsidized rates less attractive (USAID 1985:15).

- **$** The evaluators also found the eligibility requirements for loans to be too restrictive, resulting in fewer loans than possible. Even though the Bank of Guatemala and USAID had agreed that BOG would lend strictly on terms of eligibility rather than project feasibility, the Mid-Term Evaluation found that the BOG had nonetheless required and examined feasibility studies from applicants (Arthur Young 1987:29).

- **$** For the most part, the project design ensured that infrastructure was in place to move fruits and vegetables from cooperatives to the market. Analyses of transportation systems and distribution channels were made before implementing the project. Perhaps as a result of this, the Mid-Term Evaluation found few infrastructure constraints to the project's performance.

- **$** Project design also considered international demand for exportable goods, identifying the types of products in which Guatemalan processors had a comparative advantage. Nonetheless, the Mid-Term Evaluation found that the project's assumption that demand for these products would continue to increase

proved to be false. In contrast, the evaluation argued that the prospects for future growth in Guatemalan produce exports were "far from certain" (Arthur Young 1987:19).

As a successor to the Project Development Assistance Project (PDAP), the Investment Promotion and Export Development Project (IPED) was authorized in August of 1984. The IPED was designed to develop national and regional capability for investment promotion in productive, export-oriented businesses of Organization of Eastern Caribbean States' (OECS) countries. The project consisted of three components: a grant to the Eastern Caribbean Investment Promotion Service (ECIPS) for operational support and technical assistance; operational support to the eight national investment promotion agencies in the OECS states; and project administration assistance for the Economic Affairs Secretariat (EAS) in Antigua.

Investment Promotion and Export Development, Caribbean Regional (1984-'92/LOP Cost: $17.7 million)

One of the stated goals of IPED was to increase private sector productive employment, directly attributable to new foreign investment, in the Eastern Caribbean countries (Robert R. Nathan Associates 1989:23). The project proposal for PDAP II, its follow-on project, set a quantitative goal of generating 15,000 new jobs "broadly based in agriculture, agribusiness, manufacturing, tourism and service activities" (Laudicina 1986:16). The OECS member nations' Industrial Development Corporations (IDCs), consisting of eight national investment promotion agencies, were tasked with reporting the number of jobs generated as a result of the project.

The Final Evaluation found that the EAS kept no employment figures and that project indicator surveys used by the IDCs made no effort to track employment creation. When questioned about employment resulting from new investment, IDC managers "either declined to offer an estimate or provided range estimates too broad to permit meaningful aggregation" (Robert R. Nathan Associates 1989:36). Working from estimates, however, an earlier evaluation concluded that 3,900 jobs had been generated by the project by the end of 1985 (Laudicina 1986:16). Considering the paucity of real data on the subject, they could only conclude that job creation would likely fall "well short" of the original target (Laudicina 1986:17). Given the complete absence of precise employment creation figures, there is little basis for accurately calculating the number of jobs created and the cost for creating each job.

IPED was designed to serve the eight member-nations of OECS, whose individual investment climates, infrastructure, and regulations varied considerably. This strategy came with a price. As the Mid-Term Evaluation states:

While the model's uniform treatment of islands may be justified from a management, equity, or political standpoint, it gives rise to a fundamental flaw in the PDAP approach. That is, each island has specific needs and opportunities, and should be addressed individually. Some require more policy reform than promotion, some more institution building than policy reform, etc.. The extent to which the model superimposes a common program 'template' over the entire region in effect may skew levels of activity away from needed efforts (Laudicina 1986:12).

By failing to address each island's individual needs, the fundamental design of the project failed to identify constraints that ultimately would affect its performance. It is little wonder, then, that interviews with PDAP beneficiaries showed they were "much more interested in discussing these factors [local investment and policy climates], both positive and negative, than reviewing the contributions provided by PDAP" (Laudicina 1986:27).

Case studies of four of the eight PDAP countries found evidence of the following constraints:

- **$** In Grenada, evaluators attributed lack of tangible program results to "a number of causes, such as lack of factory space, underdeveloped infrastructure (e.g., inadequate access to water and electricity), policy constraints, poor transportation links, and investor concern over long-term political stability" (Laudicina 1986:40).

- **$** In St. Lucia, evaluators found that firms that actually began operations as a result of PDAP "encountered major problems@ (primarily relating to reduced orders or government policies), thereby leading to fluctuations in output and work forces employed.

- **$** In St. Vincent, PDAP's efforts were "constrained by a political environment unfavorable to private sector development," and investment promotion and job creation were "constrained by a lack of factory space" (Laudicina 1986:48-49).

Although the evaluations offered no specifics about what constituted the policy flaws they pointed out, failure to address two key considerations highlighted in the CDIE study--policy constraints and infrastructure development--clearly diminished project returns.

The Export and Investment Promotion Project was designed to assist the public

and private sectors of Belize to promote, provide technical assistance for, and facilitate exports and tourism projects initiated in Belize. The project's private sector component funded the creation of the Belize Export and Investment Unite (BEIPU) within the Belize Chamber of Commerce and Industry (BCCI), while the public sector component worked with Belize's Ministry of Commerce, Industry and Tourism to strengthen the Belize Tourist Board and the Office of Economic Development.

BEIPU's Project Paper indicates that it was to be a "one-stop shop" for services related to export and investment promotion, including marketing plans, brokering services, and technical assistance.

Export and Investment Promotion, Belize (1986-'93/LOP Cost: $4.9 million)

The stated goal of the Export and Investment Promotion Project was to generate employment, income, and foreign exchange in Belize's economy. The Project Paper estimated that increased investment, export, and tourism activities would create 2,500 jobs.

An evaluation of the project, conducted in late 1990, merely stated that "the project had limited direct influence on increasing employment in the agricultural, industrial and tourism sectors, but it did facilitate activities for those businesses which did create jobs" and that "BCCI/BEIPU sponsorship of training activities had the potential for helping create employment" (Devres, Inc. 1991:8). The Project Assistance Completion Report (there was no Final Evaluation for the project) provided little more insight, stating that 1,600 jobs were created as a result of the project, without expounding further (USAID 1994:2). Accordingly, any assessment of the cost per job created would be of highly dubious value.

The Project Paper indicates that project designers were well aware of the investment and policy climate and the availability of infrastructure at the time and found neither wanting, although selection of exportable products was more problematic:

- **$** Project designers noted that, with the election of a new administration in 1984, the Government of Belize had embarked on a development strategy conducive to exports. This strategy was marked by a "variety of incentives and policies designed to attract foreign investment for exports, as well as the implementation of a capital investment program to improve and expand the physical infrastructure to increase exports" (USAID 1986a:7).

- **$** The Project Paper found that, in addition to incentives conducive to foreign investment and an infrastructure adequate to meet new demands, Belize's foreign exchange system was relatively liberal and flexible (USAID 1986a:Annex J).

- **$** BCCI/BEIPU staff identified and helped promote a number of promising nontraditional crops such as papaya and peppers, leading to orders for the products. However, when the orders began to arrive, it became apparent that the promoted products were either not available, available in insufficient quantities, or of inadequate quality for export. While the evaluation indicates that BCCI/BEIPU took steps to remedy this (they focused efforts away from export promotion and toward export development), this oversight surely hampered the performance of the project.

V. SYNTHESIS OF FINDINGS

Employment Generation Effectiveness

- **$** Of the nine projects reviewed in this paper, three--the Small Business Development Project (Honduras), the Inner Kingston Development Project (Jamaica), and the Investment Promotion and Export Development Project (Caribbean Regional)--clearly met or were found to be on their way to meeting their employment creation targets.

- **$** Four projects were partially successful. The Rural Private Enterprise Project (Kenya) achieved approximately one-half its target; the Export and Investment Promotion Project (Belize) achieved two-thirds of its target; and the Microenterprise Development Project (Jamaica) and the Agribusiness Development Project (Guatemala) achieved approximately three-quarters of their employment generation goals.

- **$** Evaluations for the Maharashtra Minor Irrigation Project (India) and the Nairobi Housing and Community Facilities Project (Kenya) lacked adequate data to determine whether these projects achieved their job creation targets. Although Project Papers for both listed job creation as central goals, project design failed to implement mechanisms to monitor job creation--or evaluators seemed to simply ignore the issue altogether. Rather, evaluations focused on internal management of the projects or other peripheral issues without adequately considering to what degree the projects actually achieved what they were designed to do.

Recognition of Economic Policy/Economic Environment Constraints

- **$** Two of the three small enterprise promotion projects reviewed had to contend with distorted government credit policies. The Rural Private Enterprise Project (Kenya) suffered from fixed interest rates and credit ceilings from its inception.

Furthermore, the project was hampered by high rates of inflation and low economic growth rates. In the case of the Small Business Development Project (Honduras), the goal was to provide an alternative source of credit to circumvent government policies that diminished credit available to entrepreneurs. Thus, an economic policy constraint (poor credit policy) was in fact *integral* to this project=s design. In contrast, the Microenterprise Development Project (Jamaica) benefited from both favorable government credit policies and increasing economic growth rates.

$ Two of the three labor-intensive infrastructure projects reviewed met the preconditions of availability of surplus labor and the potential for positive long-term benefits accruing from the infrastructure. In the cases of the Inner Kingston Development Project (Jamaica) and the Maharashtra Minor Irrigation Project (India), high local unemployment guaranteed readily available sources of affordable labor. New industrial and commercial complexes constructed in Inner Kingston represent tangible engines for wealth-creation (and jobs) in that locality, while the additional agricultural production made possible by new irrigation systems in India's Maharashtra province should provide an additional source of income for its citizens for many years to come. The rationale for the Nairobi Housing and Community Facilities Project (Kenya), while commendable on humanitarian grounds, seems to be unclear in terms of long-term economic returns. Moreover, given the paucity of real analysis in the project's evaluation, it is impossible to discuss policy constraints to the project.

$ Project Papers for two of the reviewed export promotion projects--the Agribusiness Development Project (Guatemala) and the Export and Investment Promotion Project (Belize)--indicate that USAID ensured host governments were fundamentally committed to the free-market monetary policies, adequate infrastructure, and government support the CDIE study found to be necessary for success. The Investment Promotion and Export Development Project (Caribbean Regional) had to contend with a number of host governments, and thus a number of varying economic policies. This may help account for the fact that policy constraints impeded project performance.

Other Issues: Monitoring and Measurement

$ Project monitoring and evaluation are extremely uneven across projects in terms of both comprehensiveness and methodological reliability. For a few projects, evaluations of results are exhaustive, well documented, and perfectly salient; for some others, results salient to projects' purposes and goals are given but the means for finding these results are not; and for a few projects, evaluations seemed to totally disregard the original intent of the project, focusing instead on management issues and so forth.

VI. CONCLUSIONS

As with the 1985 CDIE study, this review unearthed no major project failures. Most projects managed to produce jobs--three met or exceeded their employment creation goals, three achieved approximately 70 percent of their goals, one met half its goals, and data was unavailable for the other two. In terms of absolute employment created, the numbers of jobs generated ranged from little more than 300 (Agribusiness Development/Guatemala) to approximately 7,000 (Rural Private Enterprise/Kenya). Rates of job generation ranged from approximately 100 per year (Agribusiness Development/Guatemala) to over 1,000 per year (Investment Promotion and Export Development/Caribbean Regional). For all but two projects, data was insufficient to determine cost per job created.

This paper=s findings indicate several areas that deserve further attention:

Monitoring and Measurement

The primary shortcoming that surfaced repeatedly throughout this study lay in the projects' measurement of job creation and/or failures on the part of evaluations to discuss the figures. Two projects failed to provide any employment generation figures, which is puzzling considering the fact that job creation was a goal for both. Moreover, even where data was given, the methodologies for arriving at the figures were generally absent.

Adequate systems to measure employment generation should be in place at the inception of the project. Otherwise, there is simply no point in setting an employment generation goal if it cannot be measured with any certainty. The means to measure job creation will vary across different types of projects; furthermore, data collection would be easier for some types of projects (labor-intensive infrastructure, for example) than others. If project conditions make it impossible to set up systems to measure job creation, then perhaps employment generation goals should be stated broadly, rather than putting forth specific figures that will be impossible to measure throughout the life of project.

Project Papers should make explicit the methodologies that will be used to measure job creation. Project planners should explain how data systems will be used to arrive at employment creation figures.

Project evaluations should better explain the methodologies used to arrive at job creation figures. If evaluators rely on project mechanisms already in place to arrive at figures, then they should so indicate. If such mechanisms do not exist and evaluators are forced to provide estimates of job creation, then that fact should be noted. If data is both nonexistent and inestimable, then this too should be clearly stated. Likewise, job creation figures should not be stated without meaningful explanation, nor should figures

be left out entirely (if employment creation is a project goal).

Having said that monitoring and measurement were generally found wanting, it is beyond the scope of this paper to make detailed recommendations regarding how projects should measure employment creation. The unique circumstances of, and the resources available to, each project necessitate some degree of flexibility in how to go about obtaining data. One could say, for example, that SME development projects should require feedback from loan recipients regarding the number of employees working for their respective firms. However, some projects may serve much more informal enterprises than others, making monitoring more difficult. Other projects may serve businesses, such as agricultural enterprises, that have seasonal hiring practices, also making measurement more difficult. Such measurement difficulties would probably become even more acute with export development projects, where indirect employment creation is greater.

Policy and Economic Environments

In very general terms, five of the nine reviewed projects did a good job in accounting for policy and economic environment constraints. Three others--the Rural Private Enterprise Project (Kenya), the Small Business Development Project (Honduras), and the Investment Promotion and Export Development Project (Caribbean Regional)--failed to identify key constraints that may have hampered project performance. One, the Nairobi Housing and Community Facilities Project (Kenya), made no mention at all of policy or economic environment constraints.

Thus, comprehensive identification of actual and potential policy and economic environment constraints, present in barely half of the projects reviewed in this paper, has been far from universal since the CDIE study was published in 1985.

Project planners should redouble efforts to identify economic and policy environments prior to project implementation. Perhaps the existence of key macroeconomic conditions and adherence to specific economic policies on the parts of hosts governments should be standardized across projects and made prerequisites to proceeding with projects. Whatever the case, research indicates that rational economic policies yield very high returns and that employment generation projects suffer in the absence of such policies.

Conceptual Scope of "Employment"

USAID should continue to be aware of the many forms employment can take. This awareness should help the Agency address the needs of segments of society (women, for example) who are disproportionately engaged in work that lies outside traditional concepts of employment.

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